

Message Text

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ACTION EUR-12

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PASS EXIM

E. O. 11652: N/A
TAGS: EGEN, EFIN, YO
SUBJ: EXIMBANK SUPERGUARANTEE ISSUE

SUMMARY: IN RECENT CONVERSATION WITH ECON COUNSELOR,
ASSISTANT FINANCE SECRETARY STOJILJKOVIC ADOPTED EXTREMELY
HARD LINE ON SUPERGUARANTEE PROBLEM AND REMAINED ADAMANT
THAT ISSUE MUST BE RESOLVED ON YUGOSLAV TERMS. HE
SHARPLY CRITICIZED EXIM FOR ALLEGED DISCRIMINATION
AGAINST YUGOSLAVIA, PRESSED FOR PROMPT RESPONSE TO
CEMOVIC LETTER WHICH WOULD SATISFY YUGOSLAV CONDITIONS,
AND RAISED POSSIBILITY OF BREAKING OFF RELATIONS WITH
EXIM ENTIRELY IF SUPERGUARANTEE ISSUE IS NOT RESOLVED
SOON. END SUMMARY.

1. STOJILJKOVIC BEGAN CONVERSATION BY ASKING ABOUT
WASHINGTON MEETING OF US-YUGOSLAV ECONOMIC COUNCIL,
PROSPECTS FOR INCREASED BILATERAL TRADE, AND PROGRESS
ON EMBASSY'S IN-COUNTRY VISIT PROGRAM. HE THEN TURNED
ABRUPTLY TO SUPERGUARANTEE ISSUE, AND ASKED WHAT OUR
REACTION WAS TO CEMOVIC LETTER OF DEC 5 AND WHEN EXIM
WOULD SEND REPLY. ECON COUNS REPLIED THAT IN GENERAL WE
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WERE "DISAPPOINTED" IN CEMOVIC LETTER AND DID NOT FIND
IT RESPONSIVE TO MOORE'S SEPT 27 LETTER, WHICH HAD
ATTEMPTED TO DEVELOP DIALOGUE LEADING TO RESOLUTION
OF ISSUE. STOJILJKOVIC REPLIED TERSELY THAT THE BANK
HAD REQUESTED INFORMATION ON YUGOSLAV REGULATIONS, AND
THAT THE CEMOVIC LETTER HAD PROVIDED IT. HE CLEARLY
INDICATED THAT THE YUGOSLAVS WERE NOT, IN FACT, INTERESTED

IN PURSUING A DIALOGUE ON THE ISSUANCE OF SUPERGUARANTEES, AND SAID THAT YUGOSLAVIA WAS NOT PREPARED TO MAKE CHANGES IN ITS INTERNAL LAWS TO ACCOMMODATE THE U.S. EXIMBANK. STOJILJKOVIC THEN ADDED THAT MOORE'S LETTER CONTAINED ESSENTIALLY THE SAME PROPOSALS THAT HAD BEEN PRESENTED TO YUGOSLAVIA IN 1970, AND THAT THIS WAS NOTHING OTHER THAN A "REJECTED IDEA OF THE PAST".

2. STOJILJKOVIC SAID THAT EXIM'S INSISTENCE ON THE SUPERGUARANTEE REFLECTED A LACK OF CONFIDENCE IN YUGOSLAVIA'S ABILITY TO PAY AND WAS DISCRIMINATORY. HE ASKED WHY THERE WERE "SPECIAL CONDITIONS" FOR YUGOSLAVIA. HE SAID YUGOSLAVIA WAS NOW IN A POSITION OF HAVING "TO DEFEND OUR REPUTATION", ADDING HEATEDLY, "WE ARE NOT TURKEY AND DO NOT INTEND TO BE TREATED LIKE TURKEY". HE ASKED IF EXIM COULD FIND ANY EVIDENCE THAT YUGOSLAVIA WOULD NOT PROVIDE ADEQUATE CURRENCIES TO REPAY ITS DEBT OBLIGATIONS. FURTHERMORE, HE COMPLAINED, EXIM'S POSITION WAS CREATING A PRECEDENT WITH OTHER COUNTRIES WHICH WAS "ABSOLUTELY UNJUSTIFIED". HE CITED CANADA SPECIFICALLY, WHICH IS NOW REQUESTING SUPERGUARANTEES BECAUSE THE AMERICANS ARE AND WHICH, HE SAID, RECENTLY LOST A MAJOR CONTRACT TO JAPAN AS A RESULT.

3. STOJILJKOVIC THEN STATED THAT THEY NEEDED AN ANSWER FROM EXIM AT AN EARLY DATE IN ORDER TO COMPLETE PREPARATION LIMITED OFFICIAL USE

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OF THE 1978 "CATALOGUE" OF FOREIGN EXPORT FINANCING OPPORTUNITIES, WHICH THE FINANCE SECRETARIAT PREPARES AND DISTRIBUTES TO THE BUSINESS AND BANKING COMMUNITIES IN ALL THE REPUBLICS. BECAUSE OF THE CONTINUING UNCERTAINTY OVER EXIM, HE SAID, PUBLICATION OF THE CATALOGUE IS ALREADY ONE MONTH LATE. HE STRESSED THE NEED FOR A CLEAR ANSWER, AND SAID THAT WE MUST SORT OUT THE POLITICAL STATEMENTS FROM THE ACTUAL PROBLEMS. HE ASKED WHY, FOR EXAMPLE, VISITING YUGOSLAV OFFICIALS HAVE BEEN TOLD BY SENIOR US OFFICIALS THAT OUR BILATERAL RELATIONS ARE SO GOOD WHEN NOTHING HAS BEEN DONE ABOUT THE SUPERGUARANTEE ISSUE? LACK OF PROGRESS ON THE SUPERGUARANTEE PROBLEM, HE SAID, CANNOT HELP BUT REFLECT ON OVERALL US POLICY TOWARD YUGOSLAVIA. IF THE STATE DEPARTMENT COULD ASSIST IN ARRANGING A COMMERCIAL BANK LOAN OF 100 MILLION DOLLARS TO YUGOSLAVIA (AS IT DID IN 1972), HE REASONED, SURELY IT COULD HAVE SOME INFLUENCE WITH EXIM ON THIS MATTER. STOJILJKOVIC REPEATED THAT THEY NEEDED TO KNOW THE FACTS SO THAT THEY COULD ACCURATELY INFORM THE YUGOSLAV BUSINESS AND BANKING COMMUNITIES AND NOT WASTE FURTHER TIME. HE ASKED, FOR EXAMPLE, WHETHER THE PROBLEM LIES IN THE PRESENT

AMOUNT OF EXIM EXPOSURE TO YUGOSLAVIA, OR WHETHER IT IS WITH ANY INCREMENT THERETO. IF SO, WITH WHAT AMOUNT -- 50 MILLION, 100 MILLION, MORE? HE ALSO ASKED IF EXIM REQUIRED SUPERFUARANTEES FROM OTHER COUNTRIES, SPECIFICALLY ITALY, AND SAID HE WOULD LIKE TO HAVE COMPLETE INFORMATION ON THIS QUESTION.

4. STOJILJKOVIC CONCLUDED HIS HARANGUE BY SUGGESTING THAT IT MIGHT BE BETTER TO SIMPLY CLOSE THE ISSUE AND INFORM THE BUSINESS COMMUNITY WHAT OTHER OPTIONS THERE WERE REGARDING FOREIGN TRADE FINANCING. IN FACT, HE CONTINUED, HE WAS IN FAVOR OF "CLOSING THIS CHAPTER" AND BREAKING OFF THE RELATIONSHIP WITH EXIM. IT COULD BE PICKED UP AGAIN LATER, HE SAID, AND IN THE MEANTIME LIMITED OFFICIAL USE

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IT WOULD BE BETTER TO CONCENTRATE ON OTHER AREAS OF OUR BILATERAL RELATIONSHIP WHICH WERE MORE AUSPICIOUS. THE SUPERGUARANTEE ISSUE, HE CONCLUDED, HAS BEEN "A LONG-TERM PROBLEM WHICH HAS HAD A DAMAGING EFFECT".

COMMENT: REQUEST DEPT AND EXIM HOLD REACTION TO THIS MESSAGE, WHICH SIMPLY REPORTS STOJILJKOVIC CONVERSATION, UNTIL RECEIPT OF IMMEDIATE FOLLOW-UP MESSAGE CONTAINING OUR DETAILED COMMENTS ON SUPERGUARANTEE ISSUE.
EAGLEBURGER

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Message Attributes

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Disposition Action: RELEASED
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TAGS: EGEN, EFIN, ECON, YO
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